



Governor's Transportation Finance Panel Meeting Minutes

July 29, 2015

Members in Attendance: Cameron Staples (Chair); Oz Griebel; Paul Timpanelli; Stanley Mickus; Emil Frankel; Beth Osborne; Bert Hunter

Members by Webinar: William Bonvillian

Members Absent: Joan Carty

Staff: Garrett Eucalitto, OPM; Brian Tassinari, OPM; Eric Weinstein, DRS; Robert Card, DOT; Tim Sullivan, DECD; Tony Roberto, CI; Wally Lugli, DOT

Invited Speakers: Pat Jones, IBTTA; Ananth Prasad, HNTB; Kevin Hoeflich, HNTB; Jack Basso, Peter J. Basso and Associates

Item	Topic	Discussion
I.	Welcome and Comments, Cameron Staples, Chair	<p>Chairman Staples called the meeting to order at 9:43 a.m.</p> <p>Chair Staples commented that the position of the group at present is that they are soliciting information regarding all revenue options; which is the charge of the group. The panel is not embracing anything in particular today. No decisions have been made yet but the panel will be making decisions soon. The group's posture right now is that they should be open to all forms of revenue that are reasonable, to support the Governor's transportation plan.</p>
II.	Approval of Minutes	<p>Chair Staples requested a motion to approve the June 23, 2015 meeting minutes. Motion was made and seconded. All in favor. Minutes approved.</p>
III.	Invited Speaker: Pat Jones, Executive Director and CEO, International Bridge, Tunnel and Turnpike Association (IBTTA)	<p>Chair Staples welcomed and introduced Patrick Jones of IBTTA.</p> <p>Mr. Jones provided a brief presentation overview regarding tolling. Mr. Jones stated that tolling is one of the tools in the transportation toolbox. Technology has transformed tolling making it more efficient, easier to implement, and more acceptable to the public. Mr. Jones outlined the role that tolling has played in mitigating the congestion through managed lanes. Mr. Jones discussed the public attitude towards tolling.</p> <p>Mr. Jones indicated that the U.S. currently has approximately 120 toll agencies in 35 states. He described tolling as a system that is proven viable and an increasingly popular tool to fund major transportation infrastructure.</p>

		<p>Mr. Jones provided a brief history of All Electronic Toll collection. AET was first introduced in 1989. AET has removed the need for physical toll plazas and traffic queues and safety issues associated with them. Mr. Jones expressed that CT has the freedom and choice to design their systems to include non-stop all electronic tolling from the very beginning without barriers, which folds into one of the goals of the panel which is to find effective ways to reduce traffic congestion.</p> <p>Mr. Jones presented a series of images outlining the various existing tolling systems/designs throughout the U.S. including three images of AET systems in Denver, Dallas, and Miami. He explained that cash is collected via overhead gantries.</p> <p>Mr. Jones stated that AET technology allows you to implement <i>managed lanes</i>. With managed lanes, the toll operator uses time of day or dynamic-pricing to change the level of the toll to account for the level of congestion in the managed lanes. In this way, you can use pricing to ensure that the driving speed in the managed lanes stays above a predetermined level. Mr. Jones displayed an image of the I-95 express lanes in Northern VA where two lanes in the center are AET. The pricing of the tolls rises or falls depending on the congestion in those lanes. Mr. Jones suggested that the use of managed lanes could be effective in managing congestion in various highways throughout CT.</p> <p>Mr. Jones indicated that tolling may not seem popular but data reveals a different story. More than 37m Americans have an e-toll account; With 2-3 other users per account, nearly 80m Americans use e-tolling on a regular basis.</p> <p>Mr. Jones shared the results of a March 2015 Quinnipiac University poll which asked CT residents if they would support or oppose putting tolls on highways in the state if the money were used for repairs to the states roads and bridges. The response revealed 59% in support and 40% opposed.</p> <p>Mr. Jones stated that the gas tax is another powerful tool to fund transportation but that there is declining political support. Congress has not increased the federal gas tax in 22 years. Mr. Jones remarked that <i>toll finance</i> establishes a direct connection between use of the road and payment for that use. Mr. Jones stated that IBTTA recognizes that tolling is not the only solution to fund surface transportation nor does the association feel that tolling is appropriate for <i>all</i> transportation projects.</p> <p>Mr. Jones stated that in the past decade the association has seen a resurgence of toll financing to support reconstruction and new construction projects sponsored by state, county, and local governments. These projects include traditional tolling projects, the conversion of high-occupancy vehicle (HOV) lanes to high-occupancy toll (HOT) lanes, and the creation of new managed lanes where they didn't exist before.</p> <p>Emil Frankel asked Mr. Jones for his perspective regarding the viability of "tolled truck lanes" in CT. Mr. Jones responded that it is important that if CT has tolling, that all users of tolled highways pay their fair share. It would</p>
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		<p>provide a way to charge different classes of vehicles based on the impact they have on the highway.</p> <p>Paul Timpanelli asked if the Quinnipiac survey question was posed in a way that described the <i>type</i> of toll. Mr. Jones responded not to his knowledge.</p> <p>Oz Griebel asked if there has been any response to the impact on people moving off of the roads or changing routes particularly with regard to Route 1 along I-95. Mr. Jones stated that it is not uncommon to see some diversion in the early stages. Commuters will use an alternate non-toll route. Over time, once they get used to the notion that it may save them time off their route, people tend to start going to the toll facility. Mr. Jones stated that traffic and revenue studies can be done to make predictions.</p> <p>Mr. Griebel asked Mr. Jones to comment about the concern around privacy. Mr. Jones responded that every toll agency in the U.S. have very strict policies about the use of data that is collected from the transponders. The purpose of having an AET is to assess the tool, to collect the fee, and for no other purpose.</p> <p>Stanley Mickus initiated a discussion regarding the process around collections when a motorist does not have a transponder and if there is a % that states have seen/expected as a loss. Mr. Jones stated that most agencies have their own way of collecting from vehicles without a transponder, providing examples. Mr. Jones stated that the loss could be built into the state's model. He recommended having high technology integrators in the back office finding innovative ways to collect to make sure everybody pays.</p> <p>Chair Staples asked for a recommendation to avoid a circumstance where the state invests a lot in technology that is virtually obsolete by the time it is installed; how to stay on top of emerging technologies. Mr. Jones suggested becoming a member of the association and also having intellectual internal staff, and good consultants.</p> <p>Mr. Timpanelli asked which state has a state of the art system currently in place that is successful. Mr. Jones stated Florida as one of the successful systems as they have been aggressive in using price-managed lanes and AET. Mr. Jones provided additional examples. Mr. Timpanelli further asked if any of the successful states have toll-restricted revenue usage plans in place. Mr. Jones responded that there are some examples where toll revenue is not restricted specifically to those facilities; There have been instances where the toll authority has been absorbed into the state DOT and they are using revenues for non-tolled state highways. It is much more common that the authority has very strict guidelines on the use of the toll revenues.</p> <p>Mr. Frankel commented on the issue of privacy referencing a recent column by Jim Cameron who suggested that EZ pass was used for other purposes that represented a threat to privacy issues. NYC has used EZ passes as probes, as a way to determine how heavy traffic is by picking up signals from EZ passes. Mr. Frankel asked if there is a risk or threat to privacy issues when transponders are used as probes. Mr. Jones stated that he has no definitive knowledge of transponders being used in this way.</p>
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IV.	<p>Invited Speakers: Ananth Prasad, Senior Vice President and National Transportation Leader, and Kevin Hoeflich, Vice President and Toll Market Leader, HNTB</p>	<p>Chair Staples welcomed Ananth Prasad and Kevin Hoeflich of HNTB.</p> <p>Mr. Prasad provided a presentation overview which focused on transportation funding and DOT & tolling policy in the state.</p> <p><u>Funding:</u></p> <ul style="list-style-type: none"> • Gas tax is still going to be the short to mid-term solution for transportation revenue. Since 2013, 16 states have raised gas tax or redirected revenue into the transportation fund. The general increase is about 0.06 increase per year in. Currently about 10 states are considering raising gas tax or some form of revenue. • Federal gas tax has not been raised since 1993; Buying power of gas tax diminished; Cars are becoming more fuel efficient, not driving as much, but the state DOTs are faced w/ the challenge of keeping the system. • Fees are a secondary source of revenues; a way to generate revenue (title fees, sales tax on motor vehicles another approach taken by states, registration fees). • Mileage-based user fees - encouraged all states to be engaged in this conversation. <p><u>Tolling:</u></p> <ul style="list-style-type: none"> • Tolling is a <i>component</i> of a comprehensive, balanced transportation funding plan. • Mature states that have a lot of tolling, tolling revenue makes up approximately 10-20% of their overall transportation revenue. • Not all projects entirely paid by tolls. Some projects pay for itself but generally feasibility a challenge. • System financing – the way successful states have been successful is by using toll revenue off the system to fund other projects and grow their revenue. • States can supplement funding for feasibility but this has policy ramifications. • HOV lanes have not worked in this country; these are being converted to HOT lanes. This has been the trend, along with managed lanes. <p><u>Maximizing revenue from non-toll (and non-tax) sources:</u></p> <ul style="list-style-type: none"> • Not a major source of revenue but can generate funds. • Changing name of highways and bridges; traveler information services • Recognition of partners / advertising

		<ul style="list-style-type: none"> • Transit/Transit-Oriented Development (TOD) provides a lot of opportunities • At the end of the day, gas tax still the primary source of revenue <p><u>Federal law on tolling:</u></p> <ul style="list-style-type: none"> • Currently prohibits tolling existing interstate. Some exceptions, 3 pilot slots (all taken). • New capacity can be tolled. Many states have made a policy requirement that all new capacity will be tolled. Map 21 allows this but the # of toll lanes cannot exceed the # of purpose lanes. • There is loosening of criteria in federal law, for states to apply for tolling interstate. <p><u>Legislation & tolling</u></p> <ul style="list-style-type: none"> • Set up tolling entity. • Index toll rates; as the state creates the policy, try to address concerns to make sure what constitutes an automatic rate increase (Is it indexed to CPI, or indexed to other tolling requirements), and discretionary tolling increases that will drive the policy. • Protect toll revenues. • Bond covenants and rating agency implications. • Pursue bus rapid transit and Transit along the corridor <p><u>Toll Organization:</u></p> <ul style="list-style-type: none"> • Comes down to policy consideration; what facilities are you tolling? If interstate, the DOT is going to have a lot more say. • Consider where entity should reside. <p>Mr. Prasad introduced Kevin Hoeflich who provided a presentation on tolling.</p> <p>Mr. Hoeflich stated that today's tolling environment includes AET, conversion to AET, interoperability, managed lanes, and P3's. Mr. Hoeflich stated that AET is no cash, no toll collectors, no barriers, and no stopping. AET starts with transponders in the vehicles. Mr. Hoeflich stated that the State will want to know how many customers they will have that will be using a transponder. Mr. Hoeflich stated that the State will want to have a high penetration rate 70-75% in the peak hours. Once a vehicle passes under the gantry their account is charged. Mr. Hoeflich discussed video billing which is what is used when there is a no transponder; there are fees on top of the bill and violation enforcements in place.</p> <p>Mr. Hoeflich stated that the benefits of AET include safety, speed, service, congestion-relief, environmental benefits. The advantages of AET from the start on new facilities (versus conversion) includes no staffing issues and no construction issues.</p> <p>Mr. Hoeflich stated that the potential path to implementation would include a step-by-step process: HOV to HOT conversion, consideration of widening, tolling new capacity on widening project, broader-based tolling could follow.</p>
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V.	<p>Invited Speaker: Jack Basso, Principal, Peter J. Basso & Associates, LLC, and former COO, AASHTO</p>	<p>Chair Staples welcomed Jack Basso to present to the panel.</p> <p>Mr. Basso provided a presentation overview regarding mileage based user fees. Mr. Basso provided a brief history of the federal highway trust which since 2008 the federal highway trust fund has been bankrupt; The fund is only still floating because congress has deposited 55b from the federal general fund to shore the fund up, which was never intended that this fund would operate this way. If no new revenues are found, federal highway obligations will fall by</p>

		<p>almost 100% in FY 2015. Alternative fuel vehicles will further erode future HTF receipts. Outlays will outpace receipts by about \$15b per year and more for a foreseeable future.</p> <p>Mr. Basso displayed a matrix of surface transportation revenue options.</p> <p>Mr. Basso provided a status in Washington:</p> <ul style="list-style-type: none"> • The Senate is trying to move a six year bill with three years of funding. Remains unclear even if the Senate passes it whether it will make it to law. • Contains a provision for pilots of alternative revenue mechanisms with over \$100m in funding for tests. Doesn't address the long-term solvency for the HTF. • In 2008 and 2009, the National Transportation Revenue and Policy Study Commission and the National Transportation Finance Commission concluded similarly that long-term mileage based fees are necessary to meet financing needs but call for study and pilots to address issues with the user fee system. ASHTO reached same conclusion in 09. <p>Mr. Basso explained that VMT fees face policy obstacles: 1) increasing them may face as much opposition as increasing fuel taxes, 2) More costly and administrative burden than fuel tax collection.</p> <p>The I-95 Corridor Coalition concluded that VMT system implementation needs to be simple and phased-in.</p> <p>Several states have begun examining the concept of mileage based user fees. OR, CA, NV, WA, and MN, and the I-95 Corridor Coalition have commissioned pilots and conceptual studies.</p> <p>Mr. Griebel asked whether Oregon looked at how you use this to take care of municipal financing. Mr. Basso stated that generally there are allocations made to the system.</p> <p>Mr. Frankel initiated a discussion regarding the use of GPS technology and concerns about privacy. Mr. Basso stated that there are at least six different options, some of which include GPS, a system where user self-reports their mileage at the beginning of year and pays flat fee up front, cellular systems that track from the vehicle data. Studies by the Rand commission provide a wealth of information about different options and approaches that address these issues.</p> <p>Ms. Osborne commented that there had been concern that the cost of collection of the fees would be more than the cost to collect the gas tax. She asked if there has been an advancements here. Mr. Basso stated that it is going to cost approximately 3-5% down from 20%. It costs 3/10ths of a % to collect the gas tax.</p> <p>Ms. Osborne asked what some of the questions about governance & structure that states need to ask themselves if they're going to consider this. And how is</p>
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VI.	Discussion of Tax Increment Financing White Paper prepared by Eric Weinstein of DRS, accompanied by staff from Connecticut Innovations and DECD	<p>Chair Staples introduced Eric Weinstein.</p> <p>Mr. Weinstein provided a brief background and purpose of Tax Increment Financing (TIF). Mr. Weinstein described TIF as a way to finance a project with future tax revenues that that project will generate; it's the difference in the revenue generated from a project from a certain tax revenue stream after a projects completion compared to before a project was put in place. The state can issue bonds for a project and that tax increment revenue will first go to pay down debt from those bonds and then it will be considered a revenue stream. In CT, a project will apply through CI and once it goes through the steps at CI and the CT legislature and once approved it then goes to the bond commission; the bond commission will issue bonds for the project. Eight TIF projects have been done in CT to date.</p> <p>Mr. Weinstein introduced Tony Roberto from CI and Tim Sullivan from DECD both of whom have experience with TIF. Mr. Roberto stated that there are two forms of TIF that are currently being utilized. The key to all of the TIF is identifying a revenue stream that is consistent.</p> <p>Mr. Frankel commented regarding the extension of the 7 line in NYC and compared the financing of the potential expansion of service and improvements to New Haven/Htfd/Springfield rail line. Mr. Frankel asked if this could be applicable to pay some of the capitol costs and whether it could this be done under existing laws or would there need to be legislation.</p> <p>Mr. Sullivan provided financing backing of the 7 line extension. Mr. Sullivan stated that CT would probably need statutory authority because it is not just a TIF but it's a PILOT-backed TIF. Discussion ensued.</p> <p>Mr. Roberto stated that a special act would be needed and provided examples. Mr. Roberto commented that usually the municipality is driving this and they're trying to isolate the bonds.</p> <p>Ms. Osborne asked if it would require some state management and intervention because it is often done and managed locally. Mr. Roberto stated that a special act specifically for the project; The state's involvement is to create a mechanism to allow them to do the pilot. Ms. Osborne asked if there's been any analysis of the development potential in the corridor or around those stations. Mr. Sullivan responded no.</p>

		Mr. Griebel remarked that absence of statutory authority this likely isn't going to be in the near-term or anywhere near a driver of closing the gap. He asked for clarification. Mr. Weinstein stated that TIF is complimentary and not at the center, only a component.
VII.	Other Business	No other business indicated.
VIII.	Meeting Date	<p>The August meeting has been postponed. The next meeting will be in September and will be announced.</p> <p>Mr. Griebel asked for clarification regarding the Governor's expectations. Mr. Eucalitto stated that early fall is the expectation by the Governor with a product by mid-October.</p>
IX.	Adjournment	Chair Staples declared the meeting adjourned 11:52 a.m.